

DEPARTMENT OF WATER RESOURCES

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**APR 24 2001**

Commissioners
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Dear Commissioners:

On March 13, 2001, Governor Davis issued Executive Order D-30-01, which requires the Department of Water Resources to "implement a limited-term rate reward program for conservation efforts by residential, agricultural, commercial and industrial customers of electric corporations"(copy attached).

Under the California 20/20 Rebate Program, Pacific Gas & Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company "shall provide rate reductions to consumers with credits of up to twenty percent of the customer's Summer 2001 bills for reducing electricity consumption by at least twenty percent during June to September 2001." The program will be financed through a reduction in the utilities' payments to the Department of money collected from customers for the purchase of the Department's electric power and energy.

In order to successfully implement this program, the Department has been working with Commission staff, representatives of the Department of Consumer Affairs, representatives from the three electric corporations, and others. By this letter, the Department is presenting the California 20/20 Rebate Program to the Commission and requesting that the Commission take the actions necessary to further implement the program. The Executive Order requests the Commission to "direct the electric corporations to submit programs to carry out this Executive Order and promote consistency in its implementation."

By this letter, the Department is transmitting to the Commission the final design for implementation of the California 20/20 Rebate Program. The key aspects of the program include the terms and conditions under which the utilities' will provide credits to customers pursuant to the Executive Order, and the terms and conditions under which the Department will reimburse the utilities for the cost of these credits, as well as the utilities' reasonable costs for implementing and administering the 20/20 Program.

The Department requests that the Commission, consistent with the Executive Order and Water Code sections 80016 and 80108, prepare a Resolution, in time for consideration by the Commission on its May 3, 2001 agenda, that requires the utilities to file tariffs implementing the California 20/20 Rebate Program, in order to provide sufficient lead time and guidance to the utilities and electric service customers to make this important energy conservation program a success.

The Department supports the use of the following elements for the California 20/20 Rebate Program:

- Utilities will implement the rate reductions directed by the Executive Order by providing customer rebates as provided for in Attachment A.
- Utilities will provide bill inserts to residential customers describing the program. Department and Commission staff shall review and approve any inserts before they are finalized and sent to customers.
- Utilities will mail to all of their commercial, industrial and agricultural customers a letter describing the program. Department and Commission staff shall review and approve the letter before it is finalized and sent to customers.
- The program will be financed through a reduction in the utilities' payment to the Department. Each utility will work with the Department on specific terms and conditions for reimbursement/payment for customer rebates. These separate agreements will provide for reductions in the utilities remittances to the Department to account for the rebates on a customer bill. Reductions in utility remittances are subject to Department review and verification.
- The Department will pay implementation and administration fees to the utilities to cover their reasonable costs of establishing and maintaining the procedures, systems, and mechanisms that are necessary to implement the California 20/20 Rebate Program. Utilities shall invoice the Department for payment of the implementation and administration fees. Invoices shall include reasonable documentation of the costs incurred. Utilities will exercise best efforts to track and keep costs within the estimated costs forwarded to the Department in March and April. The Department must approve the invoiced amounts before payment. The Department cannot unreasonably withhold approval.

It will be necessary to work out additional terms and conditions for the California 20/20 Rebate Program in separate agreements between the Department and the utilities. The Department intends to negotiate such agreements in good faith, consistent with the key aspects of the 20/20 Program set forth herein and the Commission will be

provided copies of these agreements. The Department intends to have these agreements in place before June 1, 2001.

The Department requests the Commission adopt each utility's program consistent with the program elements and guidelines contained in this letter. Thanks to you and your staff for your assistance and attention to this important matter.

Sincerely,



Thomas M. Hannigan
Director

Attachments

cc: Mr. Walter McGuire
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ATTACHMENT A

California 20/20 Rebate Program Design

Program Eligibility

- This is a limited-term energy conservation program for residential, commercial, industrial and agricultural customers, including state, local and federal government customers of PG&E, SCE and SDG&E.
- Retail electric service customers receiving service will be eligible for the program, except for the following types of customers:
 - Residential and non-residential direct access customers;
 - Electricity generators;
 - Un-metered accounts;
 - Certain customers who have recently relocated or changed their service, as described below under "New Customer Service Issues."
- Customers participating in existing conservation programs (e.g., interruptible load, demand management, peak load reduction) will be eligible to participate in the California 20/20 Rebate Program and any benefits to such customers from the other programs shall be considered additive to the benefits of the California 20/20 Rebate Program.

New Customer Service Issues

Customers who moved to their current premises or returned to utility service from another electric service provider within twelve months from the start of the program will be eligible to participate as follows:

New Residential and Residential TOU Customers:

- New customers cannot use data from the previous household to measure conservation efforts. Utilities will use the established baseline as the measure for these customers. Residential customers whose usage is at least 20% below baseline qualify for the bill credit.

New Commercial/Industrial Non-TOU Customers:

- These customers will utilize the average daily use for the three-monthly billing periods with meter reading dates ending in March, April and May. To be eligible for the rebate, a customer must have started service at its current premises by February 1, 2001.

New Commercial/Industrial TOU Customers:

- A current TOU rate customer must have been on TOU service at its current premises for at least one day during the corresponding billing period in year 2000. If the customer does not meet this requirement with respect to a given monthly billing period, the customer cannot participate in the program for that month.

New Agricultural Customers:

- An agricultural rate customer must have been on agricultural service at its current premises for at least one day during the corresponding billing period in year 2000. If the customer does not meet this requirement with respect to a given monthly billing period, the customer cannot participate in the program for that month.

Duration of the California 20/20 Rebate Program

- Each eligible customer will have the opportunity to earn a rebate for each of four monthly billing periods beginning with usage on or after June 1, 2001. In general, customers will begin receiving bill credits in July 2001.

Customer Credits or Payments

- Except in extraordinary circumstances, each utility will issue the rebates via credits on the customers' monthly billing statements. In such extraordinary circumstances, the utility may issue the rebates via checks sent to customers.

Calculation of Credits or Payments

- Each utility will read meters each month with minor exceptions. The utility will evaluate and calculate energy savings based on a customer's billing cycle rather than calendar month. If, because of unusual conditions or for reasons beyond the utility's control, the customer's meter cannot be read on the scheduled reading date, or if for any reason accurate usage data are not available, the utility will estimate the measurement of average daily usage according to its applicable tariff rules for estimating bills.
- In calculating customer energy savings, each utility will compare current and historic usage by comparison of Average Daily Use (ADU).
- This is an energy or kWh conservation program. Rebates will be based on a 20 percent reduction in kWh usage. The utility shall not provide any customer rebates if the customer's energy savings fall short of the 20% standard. Similarly, customers exceeding 20% reductions will only be rewarded a 20% rebate.

- Conservation by new residential customers will be measured against baseline quantities. New customers cannot use data from the previous household to measure conservation efforts.
- The utilities shall not adjust historic usage data for individual customers to account for efficiency and conservation measures adopted during the baseline period. Similarly, the utilities shall not adjust current usage data to account for production or occupancy increases or other such factors. The utilities shall not adjust current or historic usage data based on weather or other factors.
- The conservation efforts of residential customers, agricultural customers, and commercial and industrial customers not on TOU rate schedules will be evaluated based on total consumption. The conservation efforts of commercial and industrial customers on TOU rate schedules will be evaluated on the basis of on peak-period consumption (according to the period defined in the applicable utility tariffs).
- For customers with multiple accounts, master, and/or summary billings, the kWh savings will be evaluated for each account. The 20% rebate will be calculated and applied, if applicable, to each account separately.
- For residential customers, if a utility billing system lacks the necessary information to establish a historic usage benchmark, the utility will use the baseline as the benchmark. Affected customers may ask the utility to research the customer's historic usage to establish a different benchmark.
- For residential customers, agricultural customers, and commercial and industrial customers not on TOU rate schedules, the 20% rebate would apply to total electric charges, including the CPUC-mandated emergency procurement charge (ordered in January 2001), including the legislative 10% reduction, public purpose charges and nuclear decommissioning charges. For commercial and industrial customers on TOU rate schedules, the 20% rebate would apply to total applicable on-peak demand and energy charges. The 20% credit would not apply to any utility users taxes or the fee to fund the California Energy Commission.

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Exec Order

EXECUTIVE DEPARTMENT

STATE OF CALIFORNIA



EXECUTIVE ORDER D-30-01 by the Governor of the State of California

WHEREAS, on January 17, 2001, I proclaimed a State of Emergency to exist due to the energy shortage in the State of California;

WHEREAS, there is a high probability that the shortage of electricity will continue to cause rolling blackouts throughout California affecting millions;

WHEREAS, significant conservation efforts are needed to mitigate the effects of this emergency;

WHEREAS, consumers will reduce their energy consumption if provided financial incentives and additional tools to promote energy efficiency in their homes; and

WHEREAS, it is estimated that an effective rate reward program can help reduce energy consumption by up to 3,500 gigawatt hours over twenty-four hours and up to 2,200 megawatt hours during critical summer peak consumption periods.

NOW, THEREFORE, I, Gray Davis, Governor of the State of California, by virtue of the power and authority vested in me by the Constitution and statutes of the State of California, including the California Emergency Services Act, do hereby issue this order to become effective immediately:

IT IS ORDERED that the Department of Water Resources shall implement a limited-term rate reward program for conservation efforts by residential, commercial and industrial customers of electric corporations. Under this program, electric corporations shall provide rate reductions to consumers with credits of up to twenty percent of the customer's Summer 2001 bills for reducing electricity consumption by at least twenty percent during June to September 2001. The program will be financed through a reduction in the electric corporations' payments to the Department of Water Resources in subsequent months.

IT IS FURTHER ORDERED that the Public Utilities Commission is requested to direct electric corporations to submit programs to carry out this Executive Order and promote consistency in its implementation.

IT IS FURTHER ORDERED that the Department of Consumer Affairs shall incorporate this program into its media awareness campaign for maximum public participation.

IT IS FURTHER ORDERED that this order shall expire on December 31, 2001, unless extended or terminated earlier by a subsequent Executive Order.

I FURTHER DIRECT that as soon as hereafter possible, this order be filed in the Office of the Secretary of State and that widespread publicity and notice be given to this order.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this the thirteenth day of March 2001.



Gray Davis

Governor of California

ATTEST:

Bill Jones

Secretary of State

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